

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 DODE-00 NSAE-00 USIA-06
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FM SECSTATE WASHDC
TO AMCONSUL HONG KONG
INFO USLO PEKING
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 007920

E.O. 11652: XGDS-1

TAGS: ETRD, HK

SUBJECT: IBM SALE OF COMPUTERS TO BANK OF CHINA, HONG KONG

REF: HONG KONG 0265 (NOTAL)

1. IBM WASHINGTON CONFIRMS CONTRACT HAS BEEN SIGNED WITH THE BANK OF CHINA (BOC) HONG KONG FOR TWO 3032 COMPUTERS. THESE ARE AMONG THE NEWEST GENERATION OF COMPUTERS PRODUCED BY IBM, AND ARE SUBSTITUTES FOR IBM 370/158 COMPUTERS, THE SALE OF WHICH HAD EARLIER BEEN NEGOTIATED WITH THE BOC. IBM STATES IT WAS READY TO NEGOTIATE THE SALE OF A MORE SOPHISTICATED MODEL, BUT THE BOC REPORTEDLY CHOSE THE 3032 MODEL AS MEETING ITS REQUIREMENTS.

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2. THE "LETTER FROM THE DEPARTMENT" (REFTEL PARA 4) TO WHICH BLACK/THROCKMORTON REFERRED, WAS ONE ISSUED MORE THAN TWO YEARS AGO BY THE COMMERCE DEPARTMENT TO IBM INDICATING THAT COMMERCE COULD FORESEE NO PROBLEM WITH LICENSING AN IBM 158 FOR SALE TO THE BOC. ALTHOUGH IBM MAY CONSIDER THAT TO BE A COMMITMENT, THE FACT THAT THE COMPUTERS NOW CONTRACTED FOR SALE ARE ROUGHLY THREE TIMES THE CAPACITY

OF THE IBM 158 PRECLUDES REFERENCE TO THAT COMMITMENT. IBM WASHINGTON IS AWARE THAT WHEN THE APPLICATION FOR AN EXPORT LICENSE FOR THE 3032 MODELS IS FILED, INTERESTED USG AGENCIES WILL CLOSELY SCRUTINIZE THE PARTICULARS, AND IF APPROPRIATE, ASK FOR SAFEGUARD MEASURES TO ASSURE AGAINST DIVERSION TO UNAUTHORIZED USES BY EITHER THE BOC OR THE PRC, SPECIFICALLY VIA TERMINALS LOCATED IN THE PRC. IBM MAINTAINS THAT NO TERMINALS WILL BE LOCATED OUTSIDE OF HONG KONG; HOWEVER, WE WILL RAISE QUESTION OF THE POSSIBILITY OF THE PRC CIRCUITOUSLY TYING MAINLAND TERMINALS TO THE COMPUTER IN HONG KONG AND MAKING UNAUTHORIZED USE OF THE SYSTEM, SINCE IT IS CONSIDERABLY LARGER THAN ANYTHING AVAILABLE ON THE MAINLAND.

3. IF ANY SECTION OF THE CONSULATE GENERAL QUESTIONS THIS PROPOSED SALE (FROM A SECURITY STANDPOINT), WE WOULD WELCOME COMMENTS. FYI: IBM HAS TOLD US IN CONFIDENCE THAT THE HONG KONG/SHANGHAI BANK IN HONG KONG IS NOW ORDERING SIMILAR EQUIPMENT.END FYI.

4. THE 3032 COMPUTERS WILL BE MANUFACTURED IN JAPAN AND EXPORTED TO HONG KONG. THE DECISION TO USE THE JAPANESE MANUFACTURING FACILITY WAS BASED ON THE LOWER SHIPPING COSTS VIS-A-VIS EUROPEAN MANUFACTURE. IBM HAS THE APPROVAL OF MITI (JAPAN) FOR THIS PROPOSED EXPORT. CHRISTOPHER

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